

INTRODUCTION

IMPETUS AND PURPOSE OF THE STUDY

The 1990s marked a period of exceptional change in the health care environment and delivery system. Continued increases in cost drove payers to seek methods to control escalating health care expenditures. As a result, managed care gained momentum and changed the delivery of and payment for care. Advances in medical technology transformed the type of care possible and broke many care location barriers. Information technology became a strategic tool for information access and exchange. Roles and relationships among stakeholders evolved as consumers took an increasingly active role in their care, and hospitals aligned themselves with other providers and corporate entities to broaden the continuum of care while sharing administrative functions and costs. All entities, government and non-governmental, payers, employers, and providers, struggled to contain or reduce the escalating cost of health care while improving the health status of Connecticut citizens.

During this same period, hospitals in Connecticut faced increasing financial challenges. Operating income dropped so that by the end of the decade, half of the state's hospitals realized negative operating margins; seven ceased to exist as separate, stand alone hospitals and either closed or became part of other hospital systems. Hospital efforts to reduce internal costs and broaden corporate alliances were partially successful, but many turned to the government for financial relief. These requests put policy makers in a quandary. Should the government intervene in delivery system evolution, given the move toward deregulation in the earlier half of the decade? If

intervention was prudent, what would best justify and determine the type of relief, the amount, and the recipient? Finally, given the numerous competing fiscal demands put upon the state, was financial relief even a viable option? These questions and issues were the primary impetus behind this hospital study. In late spring 1999, the General Assembly passed Special Act 99-10, which included a mandate for the Office of Health Care Access (OHCA) to conduct a study into the health of the Connecticut hospital system and the drivers behind financial distress.

STUDY APPROACH

The Office of Health Care Access was granted considerable latitude on the content and approach to the Hospital Study. OHCA used multiple stakeholders to define and conduct the study; this was done to ensure a comprehensive and balanced result. OHCA met with various hospital stakeholders including government policy makers in the executive and legislative branches and hospital executives. Through these discussions, OHCA determined that the study would produce a report on the health of the hospital system in Connecticut. The report needed to address the indicators of poor financial condition, both in terms of individual hospitals and the system as a whole. To provide appropriate context, the report also needed to describe how hospitals have evolved over time and different forces that affect hospitals today.

The study consisted of six primary activities:

1. Define, extract and analyze hospital financial and utilization data.
2. Develop a series of white papers to describe the evolution of hospitals, the current status of hospitals today,

and seven major forces affecting hospitals as defined by a group of hospital executives in a project definition work group.

3. Conduct focus group meetings with industry representatives across and outside of the state to discuss different perspectives of the seven major forces affecting hospitals and to obtain input on what changes should occur.
4. Conduct on-site interviews with each hospital in the state to verify hospital financial and utilization data, to discuss specific issues from the hospital perspective, and to obtain hospital input on recommended changes.
5. Conduct interviews with non-hospital stakeholders such as payers, employers, consumer groups, and municipalities to obtain their input and recommendations.
6. Assimilate the results of the above activities in a report with a statistical profile of each hospital, a summary of key findings, and recommendations.

OHCA used both internal and external resources to conduct the above activities. Internal resources were used to develop some of the initial products, such as extracting and analyzing the individual hospital data and developing the white papers. Independent consultants were also retained to assist the agency. OHCA contracted with The Lewin Group, Inc. to analyze data, conduct the focus group discussions, the hospital site visits, and the interviews with hospital stakeholders, and to provide written products of the results. OHCA then reviewed all deliverables and assimilated them into this report. Although The Lewin Group, Inc. contributed to the study, the findings

and conclusions reached are those of the Office of Health Care Access.

ORGANIZATION OF THIS REPORT

The body of this report is organized into three main sections, as follows:

Section I: Historical Perspective and Major Forces Affecting Connecticut Hospitals

This section provides a basic understanding of how Connecticut hospitals have evolved and a description of Connecticut hospitals as they are today. This section also provides an introduction to seven major forces hospital executives identified as having a strong influence on hospitals, and describes the impact of each. Through the course of this study, these seven forces repeatedly emerged as major influences to hospital operations and future direction, confirming hospital executives' views on the impact of these forces.

Section II: Profiles of Individual Hospitals

This section provides a profile of each of the thirty-one hospitals in the state. Basic hospital information, such as location and size, is provided as is financial and utilization information. This section also describes the performance measures used in the profiles, and identifies other government and non-government sources that measure hospital performance.

Section III: Analysis of the Connecticut Hospital System

This section provides a statewide perspective of the Connecticut hospital system, including major performance drivers for operational and financial success, strengths and weaknesses of the system as a whole, and a summary of turning points for the future, key findings and recommendations.

The Office of Health Care Access wishes to extend its gratitude to the many people and organizations that participated in this study. Without their assistance, a project of this magnitude and the diversity of perspectives it provides would not have been possible. Many people in each of the 31 hospitals assisted in this study by making their time available for the site visits and other data collection activities. In addition, there are three other groups of individuals who we would like to acknowledge.

Representatives from eight hospitals and the former president of the Connecticut Hospital Association met with OHCA staff to help define the scope of the study. Of particular assistance was their identification of the major forces affecting hospitals today.

Marna Borgstrom
Yale-New Haven Hospital

Richard Brvenik
Windham Hospital

Philip Cusano
Stamford Health System

Marc Lory
*Eastern Connecticut
Health Network*

Dennis May
Connecticut Hospital Association

William Powanda
Griffin Hospital

Richard Pugh
New Milford Hospital

Larry Tanner
New Britain General Hospital

John Tobin
Waterbury Hospital

The following individuals participated in one of the seven focus group discussions held in July 2000 at the Office of Health Care Access:

Competition and Integrated Delivery Systems

Toni Fatone
*Connecticut Association of
Health Care Facilities*

Jeanette Schreiber, Esq.
Wiggin & Dana

Paul Johnson
Gaylord Hospital

Ann Edwards
*Eastern Connecticut
Health Network*

Gayle Capozzalo
Yale-New Haven Hospital

Kevin Kelly
MedSpan

Carla Austen
Physician Health Services

Susan Albano
Hartford Health Care

Hank Balavender
HealthSouth

Health Care Payment Mechanisms

H. Bart Price
Yale-New Haven Hospital

Richard Werkowski
*Eastern Connecticut
Health Network*

Angela Mattie, J.D., M.P.H.
*Anthem Blue Cross and
Blue Shield of Connecticut*

Mag Morelli
Connecticut State Medical Society

George Jacobs, II
*Health Care Financing
Administration*

Michael Rosadini, Esq.
Ernst & Young, LLP

Barbara Stein
*Connecticut Carpenters
Health Fund*

Richard Gray
*Connecticut Health and
Educational Facility Authority*
Trevor Reeves
MedSpan

The Regulatory Environment

Joseph Pelaccia
Milford Hospital
Tina DiCioccio
Lawrence and Memorial Hospital
Sam Segal
*Department of Mental Health
and Addiction Services*
Ronald Preston
*Health Care Financing
Administration*
Richard Morris
Bridgeport Hospital
J. Michael Eisner, Esq.
Wiggin & Dana
Barbara Fletcher
Department of Social Services
Susan Cole
Office of Health Care Access
Kathleen Zarrella
Department of Public Health

The Nursing Workforce

Diana Karish
Norwalk Hospital
Kim Hostetler
Connecticut Hospital Association
Roger Therrien
Department of Labor
Leo Canty
*Connecticut Federation of
Educational and Professional
Employees*
Paul Heffernan
Waterbury Hospital Health Center
William Powanda
Griffin Hospital
Patricia Born
*University of Connecticut,
School of Business*

Mary Hickey
Connecticut League for Nursing
Patricia Downs
*Department of Economic and
Community Development*

Information Technology and HIPAA

Sharon Abrams
Greenwich Hospital
Patricia Hamby
McKesson/HBOC
Doug LaFrance
EDS
John Lynch
CHIME
Henry Salton
Office of the Attorney General
Edward Sawicki, M.D.
Gerald Wilson
Hartford Hospital

Medical Technology

Joseph Bronzino, Ph.D.
Trinity College
Barry Stein, M.D.
Hartford Hospital
Richard Brvenik
Windham Hospital
Michael Reardon, M.D.
CIGNA
Paul Bluestein, M.D.
Connecticare
Bernard Clark, M.D.
*St. Francis Hospital
and Medical Center*
Steven Strongwater, M.D.
*University of Connecticut
Health Center*
Neil Yeston, M.D.
Hartford Hospital
Mary Inguanti, R.P.H., M.P.H., F.A.S.C.P.
*St. Francis Hospital
and Medical Center*

Consumerism

Joanne Blum, R.N.C.
Department of Veteran Affairs

Leslie Brett, Ph.D.
*Permanent Commission
on the Status of Women*

Edward Johnson, D.D.S.
*Saint Francis Hospital
and Medical Center*

David Parke, M.D.
*Yale University School
of Medicine*

Arnold Schwartz
*American Association
of Retired Persons*

Tom Swan
*Connecticut Citizens
Action Group*

Linda Wiseman
Danbury Hospital

The following individuals agreed to be interviewed for the study, to present their impressions and perspectives of Connecticut hospitals:

Evelyn Barnum
*Connecticut Primary Care
Association*

Barbara Berger, RN
Office of Rural Health

Mary Ellen Breault
Department of Insurance

Jerry Brown
*AFL/CIO 1199 Healthcare
Workers Union*

Katrina Clark
Fair Haven Health Center

Representative Dennis Cleary
Public Health Committee

Susan F. Cogswell
Department of Insurance

Representative Mary Eberle
Public Health Committee

Joxel Garcia, M.D., M.B.A.
Department of Public Health

Richard Gray
*Connecticut Health
and Education Finance Authority*

Senator George Gunther
Public Health Committee

John Hardink
Electric Boat

Senator Toni Harp
Public Health Committee

Ann Levie
*Ryan White AIDS Program,
Hartford Health Department*

Representative Mary McGrattan
Public Health Committee

Timothy Moynihan
*Metro Hartford Chamber
of Commerce*

David Parella
Department of Social Services

Marge Peltier
East Hartford Health Center

Robert Restivo
Electric Boat

Marc S. Ryan
Office of Policy and Management

Deb Savoie
Generations Family Health

Cornell Scott
Hill Health Center

Clifford W. Slicer
Department of Insurance

Janet C. Spegele
*Connecticut Business
and Industry Association*

John Stuber
Vernon Area Health Center

Alfreda Turner
Charter Oak Health Center

Cheryl Zwingman-Bagley
Connecticut Nurses Association